

UNITED STATES CIVIL SERVICE COMMISSION

BUREAU OF RETIREMENT AND INSURANCE

WASHINGTON, D.C. 20415

IN REPLY PLEASE REFER TO

RS:RWF:LF

YOUR REFERENCE

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Original to Mutual
Copy to [redacted]

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2/21/67

FEB 10 1967

[redacted]
Government Employees Health Association, Inc.
Post Office Box 463
Washington, D. C. 20004

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PLAN: 42

Dear [redacted]

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As you will soon be preparing the Annual Accounting Statement on the operations of your plan under the Federal Employees Health Benefits Program, we believe a review of some of the requirements for the preparation of the statement may be appropriate. The statement shall cover operations for the period from January 1, 1966 through December 31, 1966. It should be received in the Commission no later than March 31, 1967. However, we would appreciate receiving it at the earliest date possible. We hope you will follow closely the "Explanatory Notes Applicable to Interim and Annual Accounting Statement" previously furnished you. The submission of all necessary supporting schedules and work papers will also facilitate our review.

On the attachment we are advising you of the amount of subscription charges paid and accrued during the contract period January 1, 1966 through December 31, 1966. Please verify our amounts to your records before compiling your Annual Accounting Statement and if any discrepancies are noted, we would appreciate your bringing them to our attention before releasing your statement. Please remember that the accrued subscription charges as of December 31, 1966 may have been shown on three SF 1166a's following that date, i.e., January 10, January 25, and February 10, 1967. These would have been included in the "12-31-66 and prior" classification on the three vouchers.

It is important that the Health Benefits Paid reported in the Statement be in agreement with or readily reconcilable to the consolidation of your twelve Monthly Summary of Arising Claims and Claims Payments reports sent to Mr. Zisman, if your plan submits such reports.

The reporting of the Health Benefits Accrued amounts on line 2(B)(2) as the incurred but unpaid benefits as of December 31, 1966 must still be supported by attached schedules showing in detail the method by which the accrual is derived. Summary data on the liquidation of accruals established at December 31, 1965 should be submitted if such data could be readily reproduced.

THE MERIT SYSTEM—A GOOD INVESTMENT IN GOOD GOVERNMENT

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We again remind you that the actual incurred administrative expenses must not exceed the amount of percentage limitations of total subscription charges provided in your contract for this item. In support of these amounts we would appreciate schedules or reproduction of work papers which summarize the amount of expense incurred by account, i.e., salaries, rent, travel, etc. This schedule will be subject to audit and must be supported by books and records. Your attention is also drawn to that portion of your contract which provides that the administrative charges shall be only the "actual necessary incurred expenses determined on an equitable and reasonable basis with proper justification and accounting support." Certain items of expense such as advertising and promotion for new business, entertainment, donations and contributions are not allowable costs under this contract.

For the seventh contract period we will require only one Interim Accounting Statement. This statement shall cover the period 1-1-67 through 6-30-67 and be due in the Commission no later than August 31, 1967. However, the subscription charges covering this period will generally include the thirteen pay periods beginning on or after January 1, 1967. Of course annuitants will be covered for six months.

We mentioned in our February 10, 1966 letter that when a new supply of SF 2809 Health Benefits Registration Form was re-ordered it would not include the preprinted carrier control number and the agencies would use the employees' social security number instead. For several reasons this change has not as yet been made but is still being considered. We will inform you of further developments.

We wish to express our appreciation for the cooperation accorded us by you and your staff throughout the past contract period.

Sincerely yours,

Harold E. Hunsaker

Harold E. Hunsaker
Chief, Systems & Audits Office

Attachment

Plan No. 42Name GENA

Civil Service Commission Records show the following amount for your Plan for the Contract period January 1, 1966 thru December 31, 1966.

| <u>Subscription Charges</u> | <u>High Option</u> | <u>Low Option</u> | <u>Total</u> |
|--------------------------------|-----------------------|--------------------|-----------------------|
| 1) Semi-monthly payments | \$2,510,543.70 | \$24,615.32 | \$2,535,159.02 |
| 2) Contingency Reserve payment | - 0 - | - 0 - | - 0 - |
| 3) Accrued 12/31/65 | (432,838.59) | (4,475.42) | (437,314.01) |
| 4) Accrued 12/31/66 | 489,974.39 | 4,486.87 | 494,461.26 |
| TOTAL | \$2,567,679.50 | \$24,626.77 | \$2,592,306.27 |

Referende second paragraph of cover letter. Semi-monthly payments figure has been verified with our copies of form 1166a. Line 4 above captioned "Accrued 12/31/66" was verified by telephone conversation with Bob Findley of Systems and Audits Office of Civil Service Commission. The figure of \$494,461.26 involves a form 1166a not yet received by our office.

WOB

WOB

Carrier
Name:

Period Covered

to

Interim or Annual
Accounting Statement
Under Appendix B, Contract CS

FORMAT C SA

High
OptionLow
Option

Total

(use if applicable)

1. Subscription Charges

A. Subscription charges received:

- (1) Semi-monthly receipts
- (2) Payment from Contingency Reserve

B. Subscription charges accrued:

- (1) Beginning of year, B(2) annual statement for prior year
- (2) End of Period

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C. Total subscription charges

2. Health Benefits Charges

A. Health benefits paid

B. Health benefits accrued:

- (1) Beginning of year, B(2) annual statement for prior year
- (2) End of period

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C. Total health benefits charges

3. Expense and Retention Charges

A. Actual incurred administrative charges:

- (1) Organization, if applicable
- (2) Memo only: % of IC
- (3) Underwriter
- (4) Memo only: % of IC

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B. Actual accrued taxes, underwriter

C. Commissions, % of IC, if applicable

D. Risk Charge, % of IC, underwriter

E. Total expense and risk charges

4. Gain (or Loss-) from Subscription Charges5. Cumulative Gain (or Loss-)

A. Gain (or loss-) from subscription charges, 4 above

B. Income on investments (current year)

C. Gain (or loss-) beginning of year, 5D annual statement for prior year

D. Cumulative gain (or loss-) end of period